

Statutory Information

REMUNERATION AND OTHER BENEFITS TO DIRECTORS

Mr L A Pullar	32,630
Mr A B McKenzie	18,130
Mr N Affleck	18,130

There was no remuneration or other benefits paid to Directors during the year for any of the following:

- Compensation for loss of office.
- Guarantees given by the Company for debts incurred by a Director.
- Entering into a contract to do any of the above.

SHAREHOLDINGS BY DIRECTORS

No Director has an interest in Company shares held, acquired or disposed of during the period.

RECOMMENDED DIVIDEND

\$300,000 payable to Invercargill City Holdings Limited.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has insured all its Directors against liabilities to other parties that may arise from their positions.

DONATIONS

The Company has made no donations during the period.

AUDITOR'S REMUNERATION

Auditor's fees of \$17,198 were paid during the year. There were no other fees payable for other services provided by the Auditor.

USE OF COMPANY INFORMATION BY DIRECTORS

During the period the Board received no notice from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise be available to them.

INTERESTS IN TRANSACTIONS

During the period, no Directors had an interest in any transaction or proposed transaction with the Company.

REMUNERATION

No employees received remuneration and other benefits exceeding \$100,000 during the period.

Statement of Financial Position

As at June 30, 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	7	621,610	567,554
Trade and other receivables	8	607,229	611,864
Inventories	9	334,223	627,099
Tax receivable		4,241	1,242
Bonds and deposits		10,000	-
Total current assets		1,577,303	1,807,759
Non-current assets			
Property, plant and equipment	10	7,053,174	6,019,892
Forestry assets	11	15,448,000	15,430,000
Investment in associate	12	1,523,376	-
Advance to associate	12	10,632,861	-
Total non-current assets		34,657,411	21,449,892
Total assets		36,234,714	23,257,651
Liabilities			
Current liabilities			
Trade and other payables	14	1,711,406	978,070
Employee benefit liabilities	15	170	112
Derivative financial instruments	13	-	62,309
Total current liabilities		1,711,576	1,040,491
Non-current liabilities			
Borrowings	16	22,721,673	12,585,022
Deferred tax liability	17	3,002,112	2,987,636
Total non-current liabilities		25,723,785	15,572,658
Total liabilities		27,435,361	16,613,149
Equity			
Share capital	18	2,774,070	2,774,070
Retained earnings	18	4,531,047	2,376,196
Other reserves	18	1,494,236	1,494,236
Total equity attributable to the equity holders of the company		8,799,353	6,644,502

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

Statement of Comprehensive Income

For the year ended June 30, 2014

	Note	2014 \$	2013 \$
Income			
Operating revenue	1	10,282,715	6,419,599
Other gains	2	2,664,246	4,489,127
Total income		12,946,961	10,908,726
Expenditure			
Employee expenses	4	5,058	5,112
Depreciation and amortisation	10	89,662	37,938
Biological asset Cost of Goods Sold		4,509,729	1,433,928
Forestry costs		6,494,948	4,011,101
Administration expenses	3	321,710	336,563
Other expenses		-	-
Total operating expenditure		11,421,107	5,824,642
Finance income	5	111,309	4,744
Finance expenses	5	642,212	593,238
Net finance expense		(530,903)	(588,494)
Operating surplus/(deficit) before tax		994,951	4,495,590
Share of associate surplus/(deficit)	12	1,474,376	-
Surplus/(deficit) before tax		2,469,327	4,495,590
Income tax expense	6	14,476	1,262,460
Surplus/(deficit) after tax		2,454,851	3,233,130
Surplus/(deficit) after tax attributable to:			
Equity holders of the Company		2,454,851	3,233,130
Other comprehensive income			
Increase/(decrease) in fair value of property, plant and equipment - land	10	-	-
Total other comprehensive income		-	-
Total comprehensive income		2,454,851	3,233,130

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

Statement of Changes in Equity

For the year ended June 30, 2014

	Note	2014 \$	2013 \$
Balance at 1 July		6,644,502	3,611,372
Total Comprehensive Income for the year	18	2,454,851	3,233,130
<i>Distributions to shareholders</i>			
Dividends paid/declared	18	(300,000)	(200,000)
Balance at 30 June		<u>8,799,353</u>	<u>6,644,502</u>

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

Statement of Cash Flows

For the year ended June 30, 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Interest received		27,915	4,744
Receipts from customers		10,469,030	5,935,505
Payments to suppliers and employees		(6,188,321)	(3,742,516)
Interest paid		(642,212)	(586,988)
Income tax (paid) / refund		(2,999)	1,307
Goods and services tax [net]		(118,372)	(103,205)
Net cash from operating activities	19	<u>3,545,041</u>	<u>1,508,847</u>
Cash flows from investing activities			
Purchase of biological assets		(1,622,830)	(1,383,244)
Purchase of property, plant and equipment		(1,122,944)	(1,466,404)
Advances made to associates		(10,632,861)	-
Investments in associates		(49,000)	-
Net cash from investing activities		<u>(13,427,635)</u>	<u>(2,849,648)</u>
Cash flows from financing activities			
Proceeds from advance from Invercargill City Holdings Limited		12,426,650	3,741,728
Repayment of advance from Invercargill City Holdings Limited		(2,290,000)	(1,910,000)
Dividends paid		(200,000)	(200,000)
Net cash from financing activities		<u>9,936,650</u>	<u>1,631,728</u>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		<u>54,056</u>	<u>290,927</u>
Cash, cash equivalents and bank overdrafts at the beginning of the year		<u>567,554</u>	<u>276,627</u>
Cash, cash equivalents and bank overdrafts at the end of the year	7	<u>621,610</u>	<u>567,554</u>

The GST(net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST(net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

Notes to the Financial Statements

For the year ended June 30, 2014

1 Operating revenue

	2014	2013
	\$	\$
Rendering of services	53,400	-
Log Sales	9,965,460	6,276,090
Carbon Credits - pre 1990	-	78,551
Carbon Credits - post 1989	252,984	55,979
Other income	10,871	8,979
	<u>10,282,715</u>	<u>6,419,599</u>

2 Other gains and losses

	2014	2013
	\$	\$
Change in fair value of biological assets	2,612,023	4,588,783
Gain/(loss) on derivatives - foreign exchange contracts	62,309	(62,309)
Gain/(loss) on foreign exchange rate conversion	(10,086)	(37,347)
	<u>2,664,246</u>	<u>4,489,127</u>

3 Administrative expenses (includes)

	2014	2013
	\$	\$
Director fees	68,890	68,400
Operating lease expenses	84,910	-
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	17,198	17,290
· other audit-related services	-	-
Total auditor's remuneration	<u>17,198</u>	<u>17,290</u>

4 Employee expenses

	2014	2013
	\$	\$
Wages and salaries	5,058	5,112
Total employee expenses	<u>5,058</u>	<u>5,112</u>

5 Finance income and expense

	2014	2013
	\$	\$
Finance Income		
Interest income	10,834	4,744
Interest income on advance to associate	100,475	-
Total finance income	<u>111,309</u>	<u>4,744</u>
Financial expense		
Interest expense	642,212	593,238
Total financial expenses	<u>642,212</u>	<u>593,238</u>
Net finance costs	<u>(530,903)</u>	<u>(588,494)</u>

6 Income tax expense in the Income Statement

	2014	2013
	\$	\$
Current tax expense		
Current period	-	-
Adjustment for prior periods	-	-
Total current tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	14,476	1,262,460
Total deferred tax expense	14,476	1,262,460
Total income tax expense	14,476	1,262,460
Reconciliation of effective tax rate		
Profit for the year	2,469,327	4,495,590
Profit excluding income tax	2,469,327	4,495,590
Tax at 28%	691,412	1,258,765
Permanent Differences	(412,825)	(21,994)
Group loss offset	(264,113)	28,749
	14,474	1,265,520
Under/(over) provided in prior periods	2	(3,060)
Total income tax expense	14,476	1,262,460

The current tax expense is calculated on the assumption that tax profits of \$943,260 with a tax benefit of \$264,113 (2013: \$102,675) have been transferred to the company from Invercargill City Holdings Limited Group by way of group loss offset. (2013: \$28,749)

7 Cash and cash equivalents

	2014	2013
	\$	\$
Call deposits	-	-
Cash and cash equivalents	621,610	567,554
Bank overdrafts used for cash management purposes	-	-
Cash and cash equivalents in the statement of cash flows	621,610	567,554

8 Trade and other receivables

	2014	2013
	\$	\$
Trade receivables	322,949	556,709
GST receivable	173,527	55,155
Prepayments	-	-
Related party receivables	110,753	-
Sundry debtors	-	-
	<u>607,229</u>	<u>611,864</u>

Trade receivables are non-interest bearing and are generally on terms of 30 days. For terms and conditions relating to related party receivables, refer to note 12.

As at 30 June, the ageing analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired
2014	322,949	322,949
2013	556,709	556,709

See Note 23 on credit risk of trade receivables, which explains how the Company manages trade receivables.

9 Inventories

	2014	2013
	\$	\$
Timber logs	334,223	627,099
Other	-	-
Total inventories	<u>334,223</u>	<u>627,099</u>

10 Property, Plant and Equipment

2014

	Cost/ revaluation	Accumulated depreciation	Carrying amount	Current year additions (Cost)	Current year disposals (Cost)
	1 July 2013	1 July 2013	1 July 2013		
Land	5,052,584	-	5,052,584	412,440	-
Plant and equipment	-	-	-	190,375	-
Roading	1,025,115	57,807	967,308	520,129	-
Total assets	6,077,699	57,807	6,019,892	1,122,944	-

2013

	Cost/ revaluation	Accumulated depreciation	Carrying amount	Current year additions (Cost)	Current year disposals (Cost)
	1 July 2012	1 July 2012	1 July 2012		
Land	4,325,000	-	4,325,000	727,584	-
Plant and equipment	-	-	-	-	-
Roading	286,295	19,869	266,426	738,820	-
Total assets	4,611,295	19,869	4,591,426	1,466,404	-

No depreciation is charged on land and there have been no impairments throughout the period.

Forestry land is revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the land revaluation will occur every three years, unless circumstances require otherwise. The last valuation was performed by Thayer Todd valuer's (independent valuers) as at 30 June 2012. The fair value was determined on the highest and best use of the land. The valuation was carried out on sales of comparable land, based on the Valuers sales database.

The value of the land owned by Invercargill City Forests Limited, had it been carried at the cost model, would be \$3,940,788 at 30th June 2014 (\$3,528,348 at 30 June 2013).

Current year disposals - Depreciation	Current year depreciation	Cost/ revaluation	Accumulated depreciation	Carrying amount
		30 June 2014	30 June 2014	30 June 2014
-	-	5,465,024	-	5,465,024
-	13,906	190,375	13,906	176,469
-	75,756	1,545,244	133,563	1,411,681
-	89,662	7,200,643	147,469	7,053,174

Current year disposals - Depreciation	Current year depreciation	Cost/ revaluation	Accumulated depreciation	Carrying amount
		30 June 2013	30 June 2013	30 June 2013
-	-	5,052,584	-	5,052,584
-	-	-	-	-
-	37,938	1,025,115	57,807	967,308
-	37,938	6,077,699	57,807	6,019,892

11 Biological assets

	Group Forestry
	\$
Balance at 1 July 2012	11,519,000
Additions	1,383,244
Forest Assets logged at cost	(1,433,928)
Forest Assets held in Inventory	(627,099)
Change in fair value less estimated point-of-sale costs	4,588,783
Balance at 30 June 2013	<u>15,430,000</u>
Balance at 1 July 2013	15,430,000
Additions	1,622,828
Forest Assets logged at cost	(3,882,628)
Forest Assets held in Inventory	(334,223)
Change in fair value less estimated point-of-sale costs	2,612,023
Balance at 30 June 2014	<u>15,448,000</u>

At 30 June 2014, standing timber comprised approximately 2,120 hectares of plantations at eight different locations. At 30 June 2013, standing timber comprised approximately 1,993 hectares of plantations at seven different locations.

The forests were revalued as at 30 June 2014 by an independent valuer, Mr Geoff Manners of Chandler Fraser Keating Limited (CFK). The valuation excludes funding and taxation. The discount rate is based on the mid-point of CFK's analysis of the implied pre-tax discount rates from actual transactions. The pre-tax discount rate chosen for the 2014 valuations is 9.5% (2013: 9.5%).

The Company is exposed to a number of risks related to its forestry assets.

Carbon credits (Emissions Trading Scheme)

Invercargill City Forest Limited has received and sold the following carbon credits:

	2014	2014	2013	2013
	Units	\$	Units	\$
Received:				
Post 1989	33,831 units	130,926	66,526 units	191,594
Pre 1990		-	28,564 units	78,551
		<u>130,926</u>		<u>270,145</u>
Sold:				
Post 1989	100,357 units	252,984	20,356 units	55,979
Pre 1990		-	28,564 units	78,551
		<u>252,984</u>		<u>134,530</u>

As at 30 June 2014 there are nil carbon credits units on hand (30 June 2013: 66,526).

Pre-1990 Forest:

Pre-1990 forests are forests that were established before 1 January 1990. NZUs cannot be earned for an increase in the carbon stock (through forest growth) in a pre-1990 forest, but NZU's are allocated based on the size of the forested area in three tranches. Provided that pre-1990 forests are re-established after harvesting (by replanting or regeneration), there are no liabilities or obligations under the ETS. Landowners of pre-1990 forests must surrender NZUs equivalent to the carbon emissions from any deforestation.

Post-1989 Forests:

Post-1989 forests are exotic or indigenous forests established after 31 December 1989 on land that was not forest land on 31 December 1989. These forests earn credits under the Kyoto Protocol rules. Therefore, they are also known as "Kyoto Protocol-compliant" forests. Participating in the ETS is voluntary for post-1989 forest owners. If they are part of the ETS, then they earn NZUs for the carbon sequestered in the forest from 1 January 2008, but will need to surrender NZUs to the Crown when the carbon held in their trees decreases, whether through harvest or natural causes (such as by fire or storm). Any liability for post-1989 participants is capped at the amount of NZUs previously claimed for that area of forest land.

Invercargill City Forests has harvested a total of 264 hectares of pre-1990 forest. It is Invercargill City Forests Limited's intention to replant all forests.

Supply and Demand Risk

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. Where possible the Company manages this risk by aligning its harvest volume to market supply and demand.

The Company is exposed to movements in the price of NZU's to the extent that, the Company has insufficient NZU's to offset a deforestation liability and has to purchase NZU's on the market.

Management performs regular industry trend analysis to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and Other Risks

The Company's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces.

The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

The Company also insures itself against natural disasters such as fire and lightning.

12 Investment in associates

Associate Company	Country of Incorporation	Percentage Held	Balance Date
Forest Growth Holdings Limited	NZ	49%	31 March

Forest Growth Holdings Limited was incorporated on 15 July 2013.

The Company's interest in Forest Growth Holdings Limited is accounted for using the equity method.

Summary financial information for the Company's investment in Forest Growth Holdings Limited:

	2014 \$	2013 \$
Revenue	16	-
Expenses	(318,677)	-
Profit/(Loss)	(318,661)	-
Company's share of profit/(loss) for the year	(156,144)	-
Adjustment for significant transactions post balance date:		
Sales	21,100,000	-
Cost of Sales	(17,772,408)	-
Gross Profit/(Loss)	3,327,592	-
Company's share of gross profit/(loss)	1,630,520	-
Company's share of adjusted profit/(loss)	1,474,376	-
Current Assets	605,334	-
Non Current Assets	-	-
Current Liabilities	(823,995)	-
Non Current Liabilities	-	-
Equity	(218,661)	-
Proportion of Company's ownership	49%	-
Carrying amount of the investment	(107,144)	-
Adjustment for significant transactions post balance date	1,630,520	-
Adjusted carrying amount of the investment	1,523,376	-

The adjustment for significant transactions post balance date relates to forestry transactions for the three month period to 30 June 2014, being the difference in balance dates between the two companies.

The associate has contingent liabilities as at 30 June 2014 of \$6,300,000 (30 June 2013: Nil).
The liabilities relate to agreements for purchase of Forestry that have not settled by balance date.

Advances to Associate

The Company's advances to associate are as follows:

	2014 \$	2013 \$
Forest Growth Holdings Limited	10,632,861	-
	<u>10,632,861</u>	<u>-</u>

The advance is unsecured and repayable on demand. Interest is charged at 2% above the average interest rate charged to Invercargill City Forests Limited by Invercargill City Holdings Limited.

13 Other Financial Assets & Liabilities

	2014 \$	2013 \$
Current derivative financial instruments		
Foreign exchange contracts (cash flow hedges) - liabilities	-	(62,309)
Derivatives	<u>-</u>	<u>(62,309)</u>

14 Trade and Other Payables

	2014	2013
	\$	\$
Trade payables	850,303	771,391
Accrued expenses	557,209	317
Amounts due to other related parties	3,894	6,362
Dividends payable	300,000	200,000
Total trade and other payables	<u>1,711,406</u>	<u>978,070</u>

Terms and conditions of the above financial liabilities:

Trade and other payables are non-interest bearing and are normally settled on 30-day terms

Other payables are non-interest bearing and have an average term of six months

For terms and conditions relating to related party payables, refer to note 20.

For explanations on the Company's credit risk management processes, refer to Note 23

15 Employee benefit liabilities

	2014	2013
	\$	\$
Annual leave	170	112
	<u>170</u>	<u>112</u>
Comprising:		
Current	170	112
Non-current	-	-
Total employee benefit liabilities	<u>170</u>	<u>112</u>

16 Borrowings

	2014	2013
	\$	\$
Current		
Shareholder advance		
Total current borrowings	-	-
Non-current		
Shareholder advances	22,721,673	12,585,022
Total non-current borrowings	22,721,673	12,585,022

The term loan has been advanced by Invercargill City Holdings Limited under its multi-option facility. The current average interest rate payable is 5.87% (2013: 5.58%). The advance and interest rate are renegotiated as required. Therefore, the repayment period for the entire loan is greater than five years from now. The loan is unsecured. The fair value of the loan is also its carrying value.

17 Deferred Tax Liabilities/(Assets)

	1-Jul-12		30-Jun-13		30-Jun-14		
	Balance \$	Recognised in profit or loss \$	Recognised in equity \$	Balance \$	Recognised in profit or loss \$	Recognised in equity \$	Balance \$
Property, plant and equipment							
Intangible assets							
Biological assets	1,725,175	1,284,860		3,010,035	(3,108)		3,006,927
Investment property							
Derivatives		(17,446)		(17,446)	17,446		
Other items		(4,953)		(4,953)	138		(4,815)
Tax loss carry-forwards							
Total movements	1,725,175	1,262,461	-	2,987,636	14,476	-	3,002,112

18 Equity

	Share capital	Cashflow Hedging reserve	Revaluation reserve	Retained earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	2,774,070	-	1,494,236	(656,934)	3,611,372
Surplus/(deficit) after tax	-	-	-	3,233,130	3,233,130
<i>Distributions to Shareholders</i>	-	-	-	(200,000)	(200,000)
Dividends paid/declared	-	-	-	(200,000)	(200,000)
Balance at 30 June 2013	2,774,070	-	1,494,236	2,376,196	6,644,502
Balance at 1 July 2013	2,774,070	-	1,494,236	2,376,196	6,644,502
Surplus/(deficit) after tax	-	-	-	2,454,851	2,454,851
<i>Distributions to Shareholders</i>	-	-	-	(300,000)	(300,000)
Dividends paid/declared	-	-	-	(300,000)	(300,000)
Balance at 30 June 2014	2,774,070	-	1,494,236	4,531,047	8,799,353

At 30 June 2014, share capital comprised 2,774,070 ordinary, fully paid up shares with equal rights (2013: 2,774,070)

**19 Reconciliation of net surplus/(deficit) to net cash inflows (outflows)
from operating activities**

	2014	2013
	\$	\$
Reconciliation with reported operating surplus		
Net surplus after tax	2,454,851	3,233,130
Add/(deduct) non-cash items:		
Depreciation	89,663	37,938
Net (profit)/loss on derivatives	(62,309)	62,309
Change in fair value of biological assets	(2,612,023)	(4,588,783)
Change in fair value of associate	(1,474,376)	-
Biological assets - Cost of Goods Sold	4,509,729	1,433,928
Increase/(decrease) in deferred taxation	14,476	1,262,460
Increase/(decrease) in current years tax	-	-
	465,160	(1,792,148)
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	113,007	(556,708)
Increase/(decrease) in accounts payable and accruals	633,394	653,857
Increase/(decrease) in GST/taxation	(121,371)	(29,284)
	625,030	67,865
Net cash inflow (outflow) from operating activities	3,545,041	1,508,847

20 Related party transactions

The company is a wholly owned subsidiary of Invercargill City Holdings Limited. During the year, the following transactions took place:

	2014	2013
	\$	\$
(a) Invercargill City Holdings Limited		
<i>Revenue</i>		
Provision of services	-	-
<i>Expenditure</i>		
Provision of services and interest payments	695,748	644,391
Dividends from Subsidiary to Parent	300,000	200,000
Loan balance outstanding to Invercargill City Holdings	22,721,673	12,585,022
Outstanding at balance date by Invercargill City Holdings	-	-
Outstanding at balance date to Invercargill City Holdings	-	6,250
(b) Invercargill City Council		
<i>Revenue</i>		
Provision of services	-	-
<i>Expenditure</i>		
Provision of services	57,040	5,834
Outstanding at balance date by Invercargill City Council	-	-
Outstanding at balance date to Invercargill City Council	3,894	-

The Company's current tax expense is calculated on the assumption that tax losses are offset from the Invercargill City Holdings Limited Group to the company of \$943,260 (2013: offset from the company \$102,675) with a tax benefit of \$264,113 (2013: \$28,749).

No related party debts have been written off or were forgiven during the 2014 year (2013: nil).

Key management personnel compensation comprises:

	2014	2013
	\$	\$
Short term employment benefits	5,058	5,112
Directors Fees	68,890	68,400

Short term employee benefits relate to the CEO's salary.

21 Contingencies

Contingent assets:

2014 Year: Nil

2013 Year: Nil

Contingent liabilities: (refer note 11)

Invercargill City Forests has harvested a total of 264 hectares of pre-1990 forest. This harvested land will be replanted but at balance date carried a potential deforestation liability of \$722,374. At 30 June 2013 Invercargill City Forests had harvested a total of 216 hectares of pre-1990 forest and all of this had been replanted. It is Invercargill City Forests Limited's intention to replant all forests. Refer note 11.

22 Events after the Balance Sheet date

There have been no significant events between year end and the signing date of the financial statements.

23 Financial Instruments

Exposure to credit, interest rate, commodity price risk, equity price and liquidity risks arises in the normal course of the Company's business.

Credit risk

Financial instruments that potentially subject the Company consist principally of cash, cash equivalents and receivables. Cash is placed with banks with high credit ratings assigned by international credit-rating agencies, or other high credit quality financial institutions.

Security is not required for the provision of goods and services but regular monitoring of balances outstanding is undertaken.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. The Company evaluates its liquidity requirements on an ongoing basis. The Company has credit lines in place with its parent entity.

The following table details the exposure to liquidity risk as at 30 June 2014:

	Maturity Dates			Total
	< 1 year	1-3 years	> 3 years	
	\$	\$	\$	
Financial Assets				
Cash and cash equivalents	621,610	-	-	621,610
Trade and other receivables	607,229	-	-	607,229
	<u>1,228,839</u>	<u>-</u>	<u>-</u>	<u>1,228,839</u>
Financial Liabilities				
Trade and other payables	1,711,406	-	-	1,711,406
Employee benefit liabilities	170	-	-	170
Borrowings	-	-	22,721,673	22,721,673
	<u>1,711,576</u>	<u>-</u>	<u>22,721,673</u>	<u>24,433,249</u>

The following table details the exposure to liquidity risk as at 30 June 2013:

	Maturity Dates			Total
	< 1 year	1-3 years	> 3 years	
	\$	\$	\$	
Financial Assets				
Cash and cash equivalents	567,554	-	-	567,554
Trade and other receivables	611,864	-	-	611,864
	<u>1,179,418</u>	<u>-</u>	<u>-</u>	<u>1,179,418</u>
Financial Liabilities				
Trade and other payables	978,070	-	-	978,070
Employee benefit liabilities	112	-	-	112
Borrowings	-	-	12,585,022	12,585,022
	<u>978,182</u>	<u>-</u>	<u>12,585,022</u>	<u>13,563,204</u>

Commodity price risk

The Company is subject to changes in the price of logs, which in turn is subject to foreign exchange risk. This risk is discussed further in note 11.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company sells logs to overseas markets, which require it to enter into transactions denominated in a foreign currency. The Company manages the foreign exchange risk by entering into forward foreign exchange contracts for approximately 80% of projected foreign sales to manage the risk exposure.

24 Publication of Financial Statements

Invercargill City Forests Limited is a Council-Controlled Trading Organisation operating under the Local Government Act 2002. The Act requires the Board to deliver to the shareholders and make public the audited annual report within three months of the end of the financial year. This time frame has been met.

Company Statement of Service Performance

For the year ended June 30, 2014

The performance targets established in the 2014 Statement of Intent and the results achieved for the year ended 30 June 2014 are as follows:

Financial:

That Invercargill City Forests Limited will achieve a EBIT% - Percentage Earnings before Tax and interest on Assets Employed of 13.16%

- Not achieved
- EBIT% on assets employed is 8.28%

That Invercargill City Forests Limited will achieve a Percentage of Equity to Total Assets of 12.41%

- Achieved
- Equity to total assets % is 24.28%

Non Financial:

Mortality rates are below a set rate

- Achieved
- The mortality rates on new plantings have been less than 1%

The company complies with all consent conditions and has no breaches

- Achieved
- The Company has complied with all consent conditions that have been imposed

Net stocked area remains above a set percentage

- Achieved
- All harvested areas have been replanted within a 12 month period

All silviculture is completed in a timely manner

- Achieved
- All silviculture was completed at the appropriate times in each forest